Distr.
GENERAL

IDB.9/SR.4
29 May 1992

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 May 1992, at 3 p.m.

President: Mr. CLARK (United Kingdom)
later: Mr. CSERVENY (Hungary)

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The meeting was called to order at 3.05 p.m.

FINANCIAL SITUATION OF UNIDO (continued) (IDB.9/16)

1. Mrs. CONSTANTINO (Observer for Philippines) said that her delegation shared the deep concern felt with regard to the serious financial situation now faced by UNIDO. The level of unpaid contributions was staggering; as of 15 May, 18 countries, representing a mere 11.7 per cent of the Organization's membership, had paid their assessed contributions in full. The delay in payment by a small number of Member States had a disproportionate impact, $64 million of a total of $98.8 million being due from only three Member States. The situation with the operational budget was less serious, since project approvals were still running at the level of $75 million; it would be disturbing, however, if the downward trend were to persist. The present drop in project approvals might be due to the change in the tripartite system; the decline might be temporary, and the situation might stabilize in the coming months.

2. Several measures were vital to address the financial crisis. First, Member States should set their priorities, in order to provide clear guidance to the Secretariat for the allotment of appropriations. Second, Member States should pay their assessed contributions promptly and in full. Third, the Secretariat should keep Member States fully informed of the current position with regard to the operational budget, and of its estimates of future income and expenditure. Lastly, the Secretariat should continue its efforts to obtain additional resources for technical cooperation from financial institutions in the United Nations system. The proposal to suspend the 15 per cent contingency margin should be submitted for consideration by the next Programme and Budget Committee session. She supported the contingency measures proposed by the Secretariat to deal with the current financial crisis.

3. Mr. KRISHNAN (India) said that the successor arrangements approved by the Governing Council of UNDP would reduce income to the operational budget in the immediate future. He strongly supported the proposal in paragraph 14 of document IDB.9/16 for the utilization of some of the operational budget reserves, amounting to around $4 million, to cope with the cash flow problem. The present crisis was due chiefly to the failure by some Member States to pay their assessed contributions. His country's budget year began in April; the budget was adopted in May, and approved payments were being made in the second half of the year. He hoped the payment of its contribution to the Organization would be expedited, and urged other Member States to fulfil their own obligations speedily. In light of the scarcity of resources, UNIDO must prioritize its activities and programmes in order to make the most effective use of the available resources; and he looked forward to the Director-General presenting a paper on the

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V.92 54821 3118E

Distr.: 2 June 1992

question at the next Board session. In the meantime, his delegation endorsed the draft decision in paragraph 17 of document IDB.9/16.

4. Mr. GUTIERREZ (Chile) said that all Board members were fully aware of the grave financial situation facing the Organization. Unfortunately, the position regarding the payment of assessments was exacerbated by political change and adverse economic factors in many countries. It should be made clear, however, that although the developing countries were numerically the largest group among the defaulting Member States, they were not the most significant in terms of the amounts owed. The Organization's working methods and style of management might well be responsible to some extent for delayed payment or non-payment of contributions to the regular budget. He noted that the Secretariat, despite the present financial difficulties, had not yet suggested any change to the Organization's budgeted programmes or activities. Member States were well aware that the agreements recently concluded with UNDP would result in reduced income to the operational budget. Both his own and other regional groups had warned of that outcome before the General Conference. Yet they had been assured by the Secretariat that its estimates of support costs would be unaffected. Since that assumption had proved incorrect, his delegation felt entitled to insist that the method used to draw up the budget should be corrected.

5. Electronic data processing (EDP) would cost $25 million in the present biennium, $12 million coming from the operational budget. Those funds ought to be utilized for technical assistance. In view of the gravity of the situation, the Programme and Budget Committee should be provided with a list of programme activities, with a clear indication of those which could be held over until sufficient funds were available. In line with Article 9, paragraph 4 (a), of the Constitution, the Board should determine the manner in which appropriations should be made for each budget programme. Chile had always made constructive criticisms and suggestions. He now proposed that the Secretariat should adopt a practice already followed in IAEA: it should submit a list of pending activities, showing the priority accorded to each. For that purpose, consultations should be held with representatives of all the regional groups.

6. Mr. WANG Zhixi (China) said that it was impossible for any Organization to achieve its goals without guaranteed resources. It was incumbent upon Member States to pay their assessed contributions, in accordance with the Constitution of the Organization. UNIDO's Members were anxious that it should continue to provide services to developing countries in a changing external environment. To enable it to live up to the expectations placed upon it, Member States must discharge their own obligations by paying their contributions, together with all the arrears accumulated over the years. His delegation welcomed the Director-General's explanation of the measures devised to improve the management of the Organization and to make optimal use of the funds available. China, though itself a developing country, always honoured its obligations, and it had paid its 1992 contribution in April.

7. Mr. RIHA (Czechoslovakia) expressed deep concern at the deteriorating financial situation, which was placing a chronic burden on the Organization. Arrears of assessed contributions for 1992 had had an adverse impact on technical cooperation delivery, which had been below the budgeted level for the early months of the year. The shortfall was bound to affect the quality and effectiveness of the Organization's programmes. He appealed to other Member States to pay their contributions, including any arrears, as early as possible. Otherwise, it might be necessary to adopt a policy of financial stringency, similar to that followed in 1991. His own country had paid its assessed contribution to the regular budget for 1992 in full, and he earnestly hoped its example would encourage others to do the same.

8. Mr. HART (Observer for Australia) wished to place on record his concern at the level of unpaid contributions to the regular budget. There was little point in the Organization holding meetings to determine its policies if it lacked the financial resources to implement the resulting decisions. If the situation did not improve, Board members should take steps in addition to those proposed by the Secretariat. He suggested that the duration of meetings should be tied to the level of contributions received as a proportion of those payable. The resources saved if meetings were shortened to two thirds of their present length could be allocated to operational activities. As for the problems with the operational budget, he endorsed the proposals contained in document IDB.9/16 for seeking additional technical cooperation work from other sources, including the trust-fund mechanism, which generated extra resources. He agreed with the view that the regional groups should have a role in establishing priorities for the Organization. However, he could not support the solution of a supplementary budget, in view of the failure of some Member States to pay the contributions already due.

9. Mr. BYKOV (Russian Federation) shared the concern of other Member States and of the Secretariat with regard to the Organization's financial situation. The shortfall in financial resources, caused chiefly by the failure of some Member States to pay their contributions, was impairing UNIDO's ability to fulfil its mandate of promoting industrial development. The unique situation which had now arisen, with almost a quarter of the Member States having lost their voting rights, was bound to affect the Organization's capacity to make decisions reflecting the interests of all its Members.

10. Throughout the lifetime of UNIDO, the former USSR had complied fully with its financial obligations towards the Organization. Even now, though undergoing a difficult transitional period, the Russian Federation was determined to discharge its debts. All Member States were bound by the Constitution of UNIDO to fulfil their financial obligations. However, that alone would not solve all the Organization's financial problems. The Secretariat must redouble its efforts to implement its programmes and expend its resources in the most effective way. It must define priorities while programmes were under way; it must abandon outdated activities, implement administrative and structural reforms, and play its part in system-wide coordination, taking due account of the role of the Economic and Social Council as defined in the United Nations Charter. Additional steps the Secretariat should be taking included rationalizing expenditure on the computerization programme, making a more determined effort to

eliminate duplication in the various departments of the Organization, and ensuring the more rational use of funds for field services. One of the Secretariat's priorities should be to maximize output from existing internal resources. Member States must also focus on the priority to be accorded to the various programmes in the budget for the 1994-1995 biennium, in the light of planned budget resources.

11. His delegation supported the Secretariat's proposal (see document IDB.9/16, para. 17), for the methodology for the treatment of arrears described in paragraph 16 of document IDB.7/32 to be applied; such a decision would supplement the Board's earlier decision on the question (IDB.7/Dec.7).

12. Ms. ANGELL-HANSEN (Norway) said that the single most important reason for the financial impasse faced by UNIDO was the unfortunate practice followed by all too many Member States of delaying the payment of their contributions. The reduction in UNDP funding had further aggravated the financial situation, to the detriment of UNIDO activities and of developing countries. The Professional vacancy level of 15 per cent threatened to impair the implementation of approved programmes, and the scope for approving new activities was seriously circumscribed. It might become necessary to reduce or even abandon certain programmes. Member States attached great importance to strategic long-term planning as well as effective management. The successful fulfilment of those objectives was jeopardized by staff shortages and income shortfalls, which also placed a strain on the Organization's staff. He urged all Member States in arrears to make their best efforts to pay their assessed contributions promptly. He agreed with the view expressed that delayed payment of contributions resulted in an inequitable distribution of the financial burden among Member States. His delegation was ready to consider ways and means of remedying the problem, and to contribute to the Board's decisions for that purpose.

13. Mr. LEE (Republic of Korea) noted with concern that the financial situation of UNIDO was deteriorating, with possible adverse effects on the Organization's functioning. It was disheartening that unpaid assessed contributions as of 30 April amounted to a total of $98.9 million, more than the total budget for the year. It was also regrettable that 46 Member States, including six Members of the Board, had lost their voting rights. Ultimately, there was no other solution than the timely payment by Member States of their contributions, in accordance with the obligations they had assumed upon joining the Organization. He noted with interest the Director-General's suggestion for adopting a system of incentives and disincentives in order to secure prompt payment of contributions. If a workable system could be devised for use on a long-term basis, other organizations in the United Nations system with similar financial problems would also derive benefit from it. His own country would shortly pay its contribution for 1992. That contribution had unexpectedly increased by 300 per cent since 1991, owing to the adjustment of its scale of assessment following its joining the United Nations. His Government had hoped that the necessary adjustment in its domestic budget would be approved before the end of 1992.

14. Turning to the contingency measures prompted by the current financial crisis, his delegation agreed that curbs on recruitment and on appropriations would be inevitable for the time being. It was concerned, however, at the fact that the non-release of approved appropriations for 1992 and the rising level of Professional vacancies were seriously hampering the implementation of approved programmes. The Secretariat should consider prioritizing programme activities, and should explore ways of maximizing performance. The views of Member States and of regional groups should be taken into account when fixing priorities, without placing an undue burden on the Secretariat's time and resources.

15. Finally, he hoped the Director-General would continue to keep the Board fully informed of developments, to enable it where necessary to offer informed guidance to secure the efficient functioning of the Organization.

16. Mr. AL-ZEID (Saudi Arabia) said that everyone was aware of the cash flow problems of UNIDO stemming from the failure of some countries to pay their contributions fully or on time, and of the adverse impact thereof on activities and expenditure for 1992. It should be possible to cooperate with UNIDO to overcome that problem provided UNIDO made efforts to streamline its work and reduce expenditure without reducing its effectiveness. Saudi Arabia also associated itself with those who had urged certain Member States to discharge their past and present obligations without delay, failing which the success of UNIDO could be jeopardized and turn into failure.

17. Mr. ABDEL-HAMID (Egypt) said he was concerned over the financial situation of UNIDO, which was caused, among other things, by the failure of the Member States to pay their shares of the regular budget and the reduction in operational budget income due to the new successor arrangements. It was encouraging that some large contributors had indicated their intention to pay their arrears. On the other hand, the Secretariat must bear some responsibility for the inaccurate projections regarding the operational budget submitted to the General Conference at its fourth session. The Secretariat had provided information on measures adopted to deal with the crisis. However, his delegation would have expected the Secretariat to engage in a dialogue with the Member States on such proposed measures. For instance, depriving the Second Industrial Development Decade for Africa of 40 per cent of the funds earmarked for it for 1992 would jeopardize its execution, given the time-scale of the programmes. UNIDO's search for new sources of funding should not be at the expense of its establishment as a centre of excellence to serve the developing countries. He who paid the piper should not necessarily call the tune if that tune was contrary to UNIDO philosophy and to the interests of the beneficiary countries. The Member States should, in consultation with the Secretariat, review a number of programmes and determine priorities. Any rearrangement of priorities should be effected by the Programme and Budget Committee, and he would expect the Secretariat to provide details of the proposed measures at the Committee's session.

18. Mr. MIRLATIFI (Islamic Republic of Iran) said that, since UNDP financial support for UNIDO's

technical cooperation programmes had decreased by 22 per cent over the last five years, in his delegation's view UNIDO must investigate possibilities for project financing from other sources, including the Industrial Development Fund and trust funds. The problem of delays in Member States' payment of their assessed contributions was the main cause of the Organization's continuing financial difficulties and would give rise to further delays in project execution. Member States in arrears, particularly those in a better financial situation, should fulfil their obligations as soon as possible. Since UNIDO was one of the most important agencies for implementation of IPF projects, cooperation between UNDP and UNIDO should be further expanded, and a report on UNDP/UNIDO cooperation should be prepared for presentation to the next session of the Board.

19. The PRESIDENT said that, during the debate, a number of suggestions had been made to the Secretariat on such matters as how to deal with the problem of outstanding contributions. He invited the Secretariat to reply to the points made in the discussion.

20. Mr. WARNER (Deputy Director-General, Department of Administration) said that several delegations had suggested that a large part of the information requested on an updated basis should be submitted to the forthcoming Programme and Budget Committee session. He agreed with that suggestion: greater accuracy in statistical observations in connection with the operational budget would be possible at that time also.

21. As regards the consideration of a supplementary budget, it had been rightly pointed out that there was little rationale for that suggestion at a time when it was not possible to collect all the funds already approved.

22. Several speakers had said that there had been inaccuracies in the 1992-1993 budget estimates with regard to income. Those estimates had been partly based on what had been foreseen in the successor arrangements with UNDP; UNDP decisions had been delayed and it had become more difficult to calculate income accurately. Hopefully, the matter could be clarified prior to the Programme and Budget Committee session.

23. Serious thought should continue to be given to the issue of prioritization. Any suggestions would be welcome and any supporting information to assist with decision-making would be willingly supplied.

24. As regards the suggested formulation of a prioritized list of activities, on the lines of a solution adopted by IAEA, the suggestion was worthy of further consideration, but considerable differences existed between the two organizations in their programmes and personnel management systems. The suggested procedure could not be appropriately applied at the present time.

25. With regard to the request for an indication of criteria concerning the allocation of resources, he recalled that the 15 per cent withholding of budgetary allocations was required by the General Conference. Since different programmes had different cash requirement levels at their various phases during a biennium, attempts were made to allocate available cash to those programmes with the highest demand in the first year of the biennium. That process applied to non-staff costs. Apart from a very conservative recruitment approach, no hold-back had been operated in regard to staffing. The 15 per cent vacancy factor had not been applied to any specific programme and was administered through the Secretariat in as broad and balanced a way as was practical. The present unencumbered balance of the operational budget reserves was $4,346,400; the statutory reserve was $5.5 million. As at 30 April, 81 Professional staff and 235 General Service staff were administered under the operational budget. The actual expenditure on the operational budget to 30 April was $8,529,100. It would be speculative to discuss projected expenditures at the present time as these were subject to quarterly adjustments. Anticipated delivery for 1992 was $145 million, which was very close to the 1991 delivery level. Project Allotment Documents (PADs) on hand for the current year amounted to $155.4 million and for coming years $77 million (the comparative figures for the previous periods being $166 million and $83 million respectively). The amount implemented since the commencement of the current year was $73 million ($75.4 million for the previous year).

26. Mr. SIAZON (Director-General) said that, although the financial situation was serious, it had been encouraging to note the statements of delegations indicating the intention of their Governments to pay their outstanding contributions. Moreover, the situation was improving. He had stated at the Board's first meeting (IDB.9/SR.1, para. 27) that 46 Member States, including six members of the Board, had lost their right to vote; the number had since decreased to 43, including only four Board members. If this trend continued, the situation was indeed solvable, but it was up to Member States to honour at least part of the bargain. It would not be necessary to collect the whole amount owed in order to survive the current year. A discussion of prioritization was a useful exercise, but the first need was for States to pay their assessments.

27. In 1987 the operational budget reserves had been $7 million only, and UNIDO had then had more staff on the operational budget. Today the operational budget reserves were $9.7 million and part of those reserves could be used to adjust expenditure and income. Measures were being taken to ensure that the expenditure level in the operational budget was reduced. It was important to bear in mind that the operational budget must be managed carefully by the Secretariat. The first four months' projections of income were not a reliable indication of what the position at the year's end would be, particularly since UNDP was still in the process of implementing the new successor arrangements. It was essential that Member States keep one important distinction in mind - namely, the fact that, whereas in the case of the regular budget an appropriation was approved, in the case of the operational budget the General Conference approved only estimates of expenditure. The actual figure for the operational budget could be higher or lower than the estimate.

28. The statement by the representative of Chile that EDP would cost $25 million in the current biennium, $12 million coming from the operational budget, was incorrect. As shown on page 39 (paragraph 122) of document GC.4/42, the total net cost for EDP for the biennium was $12,363,000 only; the Chilean delegation had perhaps mistakenly included the cost for 1994 and 1995.

The operational budget portion, as shown on page 38 (paragraph 121) of the document, was $4,658,000, very far from $12 million.

29. Mr. ANGUIANO (Mexico) said that he was both surprised and encouraged by the Director-General's optimism. The figures submitted thus far were cause for concern. Member States undoubtedly had a duty to pay their outstanding contributions. Nevertheless, expenditure and costs also needed to be reduced or adjusted by the Secretariat. When the budget had been approved in 1991, concern had been expressed about the overoptimistic estimates concerning income. A similar situation could well arise again in a few months' time.

30. Mr. RIOBO (Chile) accepted the Director-General's correction regarding the EDP cost. However, caution needed to be observed in general assertions made. The realities of the current situation had to be acknowledged, otherwise valid solutions could not be found to the financial problems facing the Organization. Undue optimism had prevailed at the previous General Conference session and the Board was now faced with the resultant crisis. It was essential to prioritize.

31. Mr. SIAZON (Director-General) said, in reply to the Mexican representative, that serious steps had been taken by the Secretariat to reduce costs within the Organization. The vacancy factor was high, and allocations for travel, consultancy and expert group meetings had been cut back. The problem was indeed serious, but he welcomed the assurances given regarding the payment of outstanding contributions. If the Organization received $70 million of the outstanding dues, it could manage its affairs for the current year.

32. Mr. RIOBO (Chile) expressed the wish to be provided with a conference room paper showing where travel and consultants' costs had been cut. It was the task of the Board, not of the Secretariat, to decide on the implementation of the budget.

33. Mr. SIAZON (Director-General) said that the 15 per cent withholding of the allocations was conditioned by the inflow of assessed contributions. It was not really a matter of cutting, but rather of adjusting the phasing of implementation. It could happen, as in 1990-1991, that contributions were received too late and implementation during the biennium was no longer possible, but the aim was merely to delay implementation pending receipt of contributions. If the real intention was to cut, that would naturally entail prioritization and a decision by the Board.

34. Mr. WARNER (Deputy Director-General, Department of Administration) said that the 15 per cent withholding called for by the General Conference was adjusted across the house, taking account of different demand levels in different programme areas during any one biennium. What was involved was an internal hold-back to enable cash inflows to be monitored and managed responsibly.

UNIDO POLICIES, UNIDO ENERGY PROGRAMME (IDB.9/9, IDB.9/10 and Corr.1)

35. Mr. OXLEY (Industrial Operations Technology Division) said that the need for an energy programme had arisen out of a number of projects requested by Member States over the past ten years to which UNIDO had responded in various energy-related areas, including the rational use of fossil fuels and new and renewable sources of energy. The proposed energy programme recognized the need to harmonize the activities of UNIDO with the policies and requirements of UNEP, and reflected the outcome of the UNIDO Conference on Ecologically Sustainable Industrial Development (ESID). It was also a response to the documents prepared for the United Nations Conference on Environment and Development on such issues as global warming and climate change. Such factors underscored the need for UNIDO to consolidate and strengthen its energy activities not only at the project level but also at the programme level, seeking to create full awareness and build up the necessary infrastructure in developing countries, taking full account of the technical, economic and environmental aspects.

36. The first of its four subprogrammes focused on enhancing UNIDO's capacity to provide support for the energy-related aspects of industrial development, addressing the problem of the impact of industry on the environment as it related to energy use, and the need for increasingly diversified technical assistance to alleviate that impact. The second subprogramme aimed at assisting developing countries to build up industry-related energy systems, focusing on the contribution of the developing countries to optimizing world energy usage, as well as protecting the environment by using more efficient energy technologies within their own borders. The third subprogramme addressed the issue of sustainable energy development and utilization, in particular the problem of the developing countries not exploiting and utilizing their locally available energy resources in an environmentally sound manner, or failing to concentrate on per capita energy consumption rates and, specifically, energy conservation. The fourth subprogramme on industry for energy dealt with the need for new industries related to energy systems and the manufacture and design of equipment as energy demand in the developing countries increased.

37. UNIDO had the expertise for all the subprogrammes, but it was necessary to incorporate individual projects in a programme which could be presented to developing countries so that they could address the different aspects of the problem and reduce per capita energy use, at the same time achieving industrial growth in harmony with the environment. The overall objective of the energy programme was to reverse the upward trend in per capita energy consumption, and start the same downward trend in the developing countries as could be observed in many industrialized countries.

38. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the programmatic approach adopted to energy-related activities, all of which deserved to receive increasing attention within the Organization. Energy was one of the most important factors to be considered in setting up new industrial activities, and on a project-by-project approach technological choices should be adopted that embraced the optimal use of energy from the standpoint both of its impact on the economics of the project and of its related effects on the environment. There was a need for environmental considerations to be integrated into energy-related projects, as with any other kinds of

projects, ensuring that the energy programme and the environment programme were fully coordinated.

39. The interrelated issues of the economic supply of energy, economic feasibility, industrial growth, economic development and market potential were essential components of decision-making in the planning and promotion of industrial development. The focus on the use of local resources and the recognition that technologies should be appropriate for a particular country's needs, and the simultaneous consideration of energy alternatives, were to be welcomed. Enhancing UNIDO's capacity to provide support to energy-related aspects was also of great importance for the success of the programme.

40. He commended the intention to strengthen cooperation and operational links with other organizations with a view to avoiding duplication of effort. Noting that minimum additional funding would be required, and that the experts involved would be financed from voluntary contributions, he emphasized that the funding should not adversely affect the net flow of aid to developing countries. Given the Organization's financial situation, he said he would welcome a clarification of the regular budget allocation involved and confirmation that it had already been included in the regular budget for 1992-1993.

41. Mr. LONSMANN POULSEN (Observer for Denmark), speaking on behalf of his own country and Finland, Norway and Sweden, reminded the Board of their concern at the shortcomings of the United Nations system, to the cost of whose operational activities they contributed about 25 per cent, and at the slow pace of reforming it. In 1988 that concern had led them to formulate the Nordic United Nations Project. The main report on the Project, published in May 1991, drew attention to the increasing marginalization of the United Nations system in the economic and social fields as it became incapable of effective action and its tasks were taken over more and more by the World Bank institutions and by the regional development banks. To overcome that situation, the various bodies making up the system must improve their performance, with each specialized agency playing its specific "centre of excellence" role and organizing its extrabudgetary activities in a way which allowed its governing bodies proper control over the agency's areas of involvement and expenditure.

42. UNIDO was among the organizations which had to take the problem of marginalization very seriously. There was a large gap between the size of its mandate and the financial resources at its disposal. It did much that was important, often efficiently, but it had never really found its feet. In considering the debate resulting from the Nordic United Nations Project, the Organization should pay particular attention to the idea that a specialized agency should be governed by a small body which met regularly and provided the agency's administration with detailed guidance. An increased emphasis on specialized agencies' normative and analytical functions was essential if they were to escape further marginalization, and in UNIDO's case it might be vital to its survival. That emphasis would be strengthened by the cessation of competition among agencies for projects, a process which there was reason to hope would be encouraged by UNDP's new support cost successor arrangements and its decision to rely increasingly on government execution. Agencies, including UNIDO, should nevertheless continue to be involved in project execution in a manner consistent with their skills and resources. The reforms sought by the Nordic United Nations Project applied more to UNIDO than to many other parts of the United Nations system.

43. Mr. SZABO (Hungary) said it was particularly important and timely that UNIDO had placed energy efficiency and its mutual relations with environment protection at the focus of its new energy programme in accordance with the aims of the action plan of the United Nations Conference on Environment and Development (UNCED) and especially with the Global Energy Efficiency 21 Programme begun by the United Nations Economic Commission for Europe in March 1992. However, it was regrettable that the budget available for implementing the very ambitious new programme was so limited.

44. Hungarian energy experts would be making a special contribution to the implementation of the programme. Within the framework of joint activities for 1992-1993, two diagnostic missions to selected countries in Africa and Latin America were planned in order to identify specific projects in the energy sector. On the basis of their findings and on receipt of government requests, project documents should be drawn up in close cooperation with the Industrial Operations Technology Division. During the present session of the Board, his delegation would be pleased to provide any information it could to the delegations from Africa and Latin America.

45. Mr. Cserveny (Hungary) took the Chair.

46. Mr. ANGUIANO (Mexico) stressed the need for the Board to concentrate at the present session on UNIDO's policies and to exchange views on the substantive aspects of the industrialization of the developing countries. Recent events in the world were an incentive to the international community to examine new forms of economic and political cooperation. In the case of UNIDO's sphere of action, he suggested that the Secretariat should submit its substantive programmes on small- and medium-scale industries and on industrial rehabilitation to the Organization's policy-making bodies for their consideration. That would enable the planning process to be completed in the five areas allotted priority under the medium-term plan, 1992-1997.

47. His delegation did not approve the revised energy programme proposed by the Director-General in document ID8.9/9 because in substance it contained the same proposals as the Board had discussed at its previous session. They were formulated in too general terms - that was evident from the contents of chapters II and III of the document - and the resources needed to implement them were quite simply unattainable. It was not the moment to approve programmes that could not be carried out with existing resources, whether derived from the regular or the operational budget.

48. In the present circumstances UNIDO should incorporate into every one of its industrial projects criteria such as energy saving, energy efficiency and environmental impact, as well as the idea of involving international and regional organizations specializing in energy in the conduct of industrial operations. His delegation suggested that the Director-General should formulate a new environment programme for UNIDO

containing the elements in the present energy proposals that were relevant to UNIDO's mandate and submit it to the Board for consideration at its tenth session. That would enable the Organization to take account of the conclusions reached by the United Nations Conference on Environment and Development and to deal with energy and environmental issues in an integrated manner as provided for in the medium-term plan, 1992-1997.

49. Mr. JOHANSSON (Observer for Sweden) said there had been general agreement at the fourth session of the General Conference that, in order to adapt to the profound and important changes that had taken place in the two years since the third session, UNIDO would have to define a new role for itself within its mandate, but it had not been possible to reach agreement on a new staff structure. Meanwhile, those changes had begun to make their mark on the Organization. Its operational budget was showing signs of a continuous and significant decrease; although the deplorable practice of late or even non-payment of assessed contributions to the regular budget should be ended, there did not seem to be any reason to expect a reversal of the trend towards a decrease in project delivery; and the alternative of special trust fund projects was not a valid solution for a specialized agency of the United Nations system. UNIDO should adapt its organization to its new role in providing analysis and advice to developing countries in areas such as industrial norms, policies and strategies, which would be in line with the conclusions of the Nordic United Nations Project concerning the future role of the specialized agencies.

50. There was a clear need now for Member States to discuss prioritization of the Organization's activities, which was not a matter that could be handed over to the Secretariat or to an independent consultant, unless that consultant received very clear terms of reference from the Board. Sweden would welcome revitalization of the informal process of consultations on the role of UNIDO with a view to reaching a basis for an agreement between Member States before the next session of the Board.

51. Sweden had noted with satisfaction that UNIDO had chosen an organizational solution for implementation of its environment programme, allowing a unit within the Department for Programme and Project Development to address environmental issues in a cross-organizational manner. That solution had been instrumental in making environmental concerns an integral aspect of all UNIDO's activities. The programme should continue to emphasize coordination and awareness-raising in environmental issues within UNIDO's activities.

52. Sweden noted with appreciation the increase in the percentage of women occupying posts in the Secretariat that were subject to geographical distribution. However, efforts had to be continued, and the support of Member States had to be maintained if the targets were to be reached and the grade pattern improved.

53. Even if market-based solutions and private initiative had widely been accepted as the most important basis for industrial development, Sweden believed that a reformed UNIDO, concentrating on its areas of comparative advantage, had an important role to play in assisting developing countries, in cooperation with other international organizations, in drawing up industrial policies and standards.

54. Mr. BAKSHI (India) welcomed the fact that UNIDO had taken note of the priority areas listed in General Conference resolution GC.3/Res.18, reflecting its involvement in programming activities in the Asian and Pacific region, although actual programmes did not adequately meet the concerns of the Asian Group, especially those of the advanced developing countries. The new UNDP successor arrangements had had a benficial effect on UNIDO's country and regional studies, and the Industrial Development Review Series was an essential element in the programming work undertaken for countries of the Asian and Pacific Region. The Organization could, however, attempt more in respect of sectoral studies, and update some earlier ones under the Industrial Development Review Series.

55. The comparison of significant performance indicators set out in table 1 in chapter II of the annual report gave a satisfactory account of UNIDO's work on industrial policy and perspectives. As for its work on programming and project development, there was an adequate portfolio of pipeline projects. The close link between the development and transfer of technology and human resource development had been demonstrated and reflected in firm policy options. As regards the energy programme, many of the activities were desirable. India understood that because of the resource constraints on UNIDO it was not possible to achieve all the objectives set out in document IDB.9/9, but would welcome a long-term consistent programme once the general direction had been established. It was to be hoped that there would be more discussion of the subject at the next session of the Board. India had developed expertise and acquired experience in some energy-related areas and would be willing to share that knowledge with the world community; India would also greatly benefit by technology transfer from countries which had already done work in those areas.

56. UNIDO's policies should continue to focus on existing plans, programmes and priorities, while taking full account of the emergence of new economies in Eastern Europe, the increasing shortage of funds for the development of the developing countries, and changes that were in the offing in the United Nations system.

57. Mr. OCHOA (Venezuela) agreed with other speakers that changes in the world situation were a reason for UNIDO to consider in depth its role in meeting the new challenges which those changes presented while continuing to work towards the industrialization of the developing countries. That would involve the Organization in examining the substantive aspects of industrial development as a prerequisite for devising a satisfactory solution to the problem of its own restructuring. Its Member States should set priorities for the Organization's activities - in the view of his delegation, within the framework outlined in the medium-term plan. Venezuela supported the Mexican suggestion relating to the submission of programmes on small- and medium-scale industries and industrial rehabilitation.

58. His delegation found the Director-General's revised energy programme proposals (IDB.9/9) to be essentially the same as those which it had

rejected at the previous session of the Board. The revised proposals went beyond UNIDO's mandate, were based in some cases on premises which his delegation did not share and were not fully in keeping with Board decision IDB.8/Dec.12. His delegation did not accept the view that the proposed activities should be financed from the regular budget. It requested the Secretariat to formulate new proposals which contained those elements of the present proposals that conformed to UNIDO's mandate. The new proposals should be included in the document to be submitted to the Board at its tenth session in connection with the updating of UNIDO's environment programme in the light of the recommendations which would emerge from the forthcoming United Nations Conference on Environment and Development.

59. Mrs. MACHADO QUINTELLA (Brazil) said that chapter I of the annual report, entitled "Policy issues", gave an accurate analysis of the many serious problems with which developing countries were having to cope. The correct diagnosis of the existing difficulties was a sound basis for the identification by UNIDO of the actions it should undertake in order better to assist the developing countries in their efforts to achieve industrial growth, modernization and restructuring. In particular, Brazil fully supported the principle that UNIDO's primary commitment - from which it should not be distracted - was to developing countries, and that in view of the challenges and financial constraints, the only way for the Organization to survive was to become a centre of excellence and specialization. UNIDO could not do everything at once, and firm priorities should be set and observed; for the moment at least, it should not embark on new directions or prepare ambitious new studies which were not urgent.

60. As for UNIDO's financial situation, the Director-General should seek new sources of funding and closer cooperation with the international financial organizations; he should continue to follow the judicious policy of not spending more than the Organization was receiving as income. Member States were paying their assessed contributions as speedily as they could, and the problem of arrears of contributions was in any event not unique to UNIDO. If the Organization concentrated its efforts where they were most effective, there would be a corresponding gain in quality, as well as in confidence, and financial support, especially from the donor countries, would be more readily forthcoming.

61. Document IDB.9/9 presented Brazil with a number of difficulties. Its approach was based on assertions that were not scientifically established. It also proposed activities in energy-related areas which duplicated what was done by other specialized agencies and UNEP; in some respects, the programme was itself repetitive. In any event, the document was not realistic because it did not take full account of UNIDO's financial situation; it did not seem to be an appropriate time to approve a new energy programme. There were no grounds for optimism concerning voluntary contributions, which were never made as freely as they should be, and would contribute to strengthening the dependence of the developing countries on the developed countries. The document discriminated between developed and developing countries: an important part of the technology generated in the field of renewable sources of energy had come from developing countries like Brazil, and she saw no reason why energy-related technology should always be imported from the developed countries; here was an excellent opportunity for the developing countries to increase cooperation amongst themselves. In her view it would be better to await the results of the forthcoming United Nations Conference on Environment and Development at Rio de Janeiro, and then base a more effective UNIDO energy programme on the Conference's findings.

62. Mr. LAMAMRA (Observer for Algeria) said that his delegation had carefully examined the proposals of the Director-General in document IDB.9/9 and welcomed the central role given to the "energy" input in industrialization and economic development. Per capita energy consumption was a measure of development and of industrial productivity. Consequently, his delegation could not agree with the premises in paragraph 14 regarding per capita energy consumption. The idea of combining sustained industrialization of developing countries with low energy consumption was a theoretical proposition on which no significant development project could be based.

63. The misgivings felt by his delegation during the consideration of document IDB.8/9 had not been dissipated. The programme submitted in 1991 now seemed to offer a better working basis than the new programme, and it was a pity that prior consultation with Member States had not been organized by the Secretariat before the official submission of document IDB

64. The ecological considerations in document IDB.9/9 seemed premature on the eve of the Rio de Janeiro Conference, whose results they prejudged.

65. The Algerian delegation supported the view expressed by the Special Advisory Group to the Director-General in paragraph 36 of document GC.4/22 that the proposals for future UNIDO activities in the energy and environment field were very ambitious, particularly considering the scope of the proposed programme, the small budget allocation and the financial situation of UNIDO.

66. Instead of adopting a vast programme that could not be implemented, UNIDO should concentrate on seeking to optimize the "energy" input in technical assistance and project execution.

67. Mr. ONSY (Egypt) was in broad agreement with the basic considerations contained in chapter I of document IDB.9/9, in particular regarding the growing energy needs of developing countries, and their right to use all available sources of energy to achieve their development goals. However, the proposed programme was not always consonant with those principles. For instance, paragraph 28 referred to the contribution developing countries could make to energy conservation by using advanced technologies, and yet neglected to make any mention of the industrial countries despite the low level of energy consumption in the developing countries noted in paragraph 8. Energy conservation and protection of the environment should be twin goals within a global framework of development in the developing countries, and not be considered separate from or serve as an obstacle to such development. The Secretariat should not ask the Board to approve such an important programme in the absence of technical expertise of its own for its implementation. His delegation attached great importance to the environment and energy programme within the

medium-term plan, and hoped to see a programme of integrated activities and well-defined objectives. He therefore requested the Director-General to revise the proposed programme in line with the medium-term plan, taking into account the observations of the Member States. He also urged the Secretariat to upgrade its technical capacity in the energy area as outlined in paragraphs 23-27, and stressed the importance of coordination between design and execution units. The industrialized countries might be able to second experts to UNIDO on a cost-free basis, and seminars should be organized for staff members at UNIDO headquarters.

68. Mr. LAVROV (Russian Federation) said that he supported UNIDO's energy policy and programme in principle but that the Organization should concentrate its efforts in two related directions: the implementation of specific programmes and projects to provide the infrastructure required for the development of priority branches of the economy which were important for each individual region and country, and the development of energy to meet the day-to-day needs of the populations of developing countries and the requirements of small-scale industry and agricultural production. The balance between those two directions would depend on the status and conditions of the regions and countries in which the programme was implemented.

69. The new status of enterprises, industrial associations and consortia and production and scientific-technical associations in the Russian Federation now made it possible for them to participate directly in the economic activities promoted by UNIDO. Implementation of the energy programme would enable the Russian Federation to participate under conditions that were mutually beneficial to Russian industry and to the developing countries.

70. It was necessary to establish clear priorities for the energy programme - to establish a system of effective measures for energy saving and its rational use in industry, ensuring the transfer to developing countries of resource-saving technologies based on the latest advances in science and technology and adapted to the conditions of the specific regions concerned. It was also necessary to take into account the environmental aspects when supplying energy to industrial facilities and establishing regional systems for energy saving, and optimum sources of energy should be chosen for day-to-day needs and small production units. The energy programme should contribute to the establishment of domestic potential for the production of energy technologies that were oriented towards local resources in order to minimize expenditure on imports of resources and technologies.

71. There should be better coordination in the implementation of the energy programme between the various units of UNIDO and international governmental and non-governmental organizations. There was also insufficient regional cooperation between developing countries. Energy development was a subject being dealt with by the regional economic commissions of the United Nations, and if the UNIDO energy programme were coordinated with them it would be more effective and realistic. Given the complex financial situation in which the Organization found itself, there should be more detailed examination of the financial support to be given to the energy programme, and coordination with bodies such as UNDP, the Economic and Social Council and the World Bank should be emphasized.

72. Mr. AL-HOUTI (Kuwait) said that Kuwait had recently been the victim of a hideous ecological crime and well knew the importance of protection of the environment. However, the conclusions of chapter I of document IDB.9/9 did not solve the environmental question or serve the desired objectives. Questions of energy and the environment lay outside the original mandate of UNIDO; they were catered for by other specialized agencies, and would be discussed at the forthcoming Rio de Janeiro Conference. Cooperation with other bodies was welcome, but UNIDO should concern itself principally with providing technical assistance to developing countries for industrial development. The documents said nothing about the dangers of using nuclear energies, despite the risks of nuclear pollution. The recommendations for moving away from or rationing the use of fossil fuels would create great problems for the developing countries, since most producers of such fuels were developing countries and the fuels in question were their principal or sole source of income. The focus should therefore be on making optimum use of such fuels rather than phasing them out, and on applying available technological means to alleviate their adverse effects. For those reasons, his delegation could not concur with the conclusions of document IDB.9/9.

73. Mr. FILALI ADIB (Morocco) found the Director-General's proposal for UNIDO's energy programme relevant to the developing countries, whose energy needs were growing to a degree which made them not only difficult to meet but also an important factor ecologically. The proposals rightly recognized the crucial nature for developing countries of the promotion and application of new and renewable sources of energy and the adoption of technology for their optimal utilization. Energy must be seen in relation to the environment and the desirability of saving energy which contributed directly to pollution. With that in mind, Morocco had sought assistance from UNIDO in regard to pollution prevention. It supported the view that industrial development should be ecologically sustainable, that waste should be discouraged and that the best possible use should be made of resources.

74. Mr. EFIRD (United States of America) said that the present and future needs for energy, particularly of the developing countries, were such that energy generation and paths to industrialization had to be rethought. Technology cooperation played an important part in meeting those countries' energy requirements, a process in which the need for environmental protection had to be addressed as well. For countries like the United States, where most technologies were owned by industry, the transfer of environmentally sound technologies to developing countries was a function of the market economy. The role of government was to facilitate technology cooperation and his Government was ready to do that.

75. His delegation supported UNIDO's efforts to ensure coordination both internally and with other agencies in the United Nations system, and applauded its cooperation under programmes such as the Technological Information Exchange System and the World Environmental Centre. Those efforts should continue. His delegation also welcomed the evidence in UNIDO's revised energy programme that the Organization was beginning to implement the

guidelines laid down by the Conference on Ecologically Sustainable Industrial Development. The guidelines should be incorporated more specifically in the energy programme.

76. Mr. SOOKSMARN (Thailand) said that, in the view of his delegation, the Director-General had done everything possible to revise the energy programme in the way called for in Board decision IDB.8/Dec.12. It was clearly understood by Member States that the programme should be financed solely from extrabudgetary resources, like the environment programme. It was important to bear in mind that, at current production levels, non-renewable conventional sources of energy could last for more than 70, 100 and 600 years in the case of crude oil, natural gas and coal respectively. As a consumer, Thailand had every right to choose among various sources of energy, non-renewable or renewable, in meeting the need for ecologically sustainable industrial development. His delegation saw no reason to reject the revised energy proposals outright, although some of them might need to be modified in the light of the present discussion.

77. Mr. NDIAYE (Senegal) welcomed the energy programme and the balance it achieved between the claims of energy demand, economic growth and the preservation of the environment. His delegation approved the main features of the programme, which should aim at helping developing countries not only to study energy systems but also to assess the energy value of existing industrial plant. Bearing in mind UNIDO's financial straits and the concerns of developing countries, priorities should be established for the implementation of the various activities which the revised proposals envisaged. While helping the developing countries to strike the right balance between ecological considerations and the energy needs of sustainable economic growth, the programme must not become a means of curbing the development of their natural resources or set limits to the implementation of development projects. Africa, with its enormous potential, needed financial and technical help in order to improve the living standards of its peoples.

78. Mr. GUZMAN (Cuba) said that industrialization and development required energy to be utilized in different forms without harming the environment. UNIDO should strengthen the channels whereby information on efficient energy use was exchanged between countries. In considering the Director-General's proposals for the energy programme, the Board must remember that few countries had the resources for a proper study of the use of renewable sources of energy. The problems of the developing countries were immediate and could not await the solution of problems connected with the utilization of new forms of energy. In dealing with the question of ensuring the energy supplies needed for industrial development, UNIDO's programme should differentiate between the particular requirements of different countries and their level of technological development. The present proposals should be reviewed in the light of the outcome of the United Nations Conference on Environment and Development before they were approved.

79. Ms. ANGELL-HANSEN (Norway) said that the inclusion in the proposed energy programme of various points suggested at the previous session had made it comprehensive in scope. Her delegation appreciated the emphasis placed on the environmental aspects of energy consumption and the way in which energy and environmental issues were integrated into the activities of the Organization. Close coordination with other relevant bodies in the United Nations system was important in the interests of avoiding duplication and ensuring that UNIDO's energy activities were undertaken within its own mandate.

80. The outcome of the United Nations Conference on Environment and Development would be of particular relevance for UNIDO's energy programme. Energy was fundamental in promoting development and its use in developing countries would have to grow considerably. In her own country, hydroelectric power was a major source of industrial energy and one which was untapped in many developing countries. It was a clean and renewable source of energy but was barely touched on in the Director-General's proposal. Small-scale hydroelectric power plants would have been a useful subject to include.

81. Mr. ASHRI (Saudi Arabia) said that UNIDO should avoid dispersing its efforts and placing additional burdens on its budget. Rather, it should confine itself to programmes for which it had been mandated by its Constitution, and focus on providing industrial development assistance to the developing countries. There were other bodies to deal with the important topic of energy production and consumption.

The meeting rose at 6 p.m.